

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 70 (MC2014-8)
Negotiated Service Agreement

Docket No. CP2014-9

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT TO
PRIORITY MAIL CONTRACT 70

(July 11, 2014)

I. Introduction

The Public Representative hereby provides comments pursuant to Order No. 2114.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of Amendment to Priority Mail Contract 70.² The Postal Service's Notice includes a redacted copy of the Amendment to Priority Mail Contract 70 as well as an unredacted copy of the Amendment under seal. The amendment will become effective one business day after the day that the Commission completes its review of the filing. *Id.*

II. Background

The Commission approved the original Priority Mail Contract 70 in Order No.

¹ PRC Order No. 2114, Notice and Order Concerning Amendment to Priority Mail Contract 70 Negotiated Service Agreement, July 7, 2014.

² Notice of the United States Postal Service of Amendment to Priority Mail Contract 70, July 3, 2014 (Notice).

1897, dated December 3, 2013.³ On February 25, 2014, the Postal Service filed notice that it had agreed to an amendment to then existing Priority Mail Contract 70.⁴ The instant Amendment concerns the packages to which the contract applies and the locations from which the packages must originate. The Postal Service asserts that the instant Amendment will not impair the ability of the contract to comply with 39 U.S.C. 3633.⁵ *Id.*

COMMENTS

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's competitive prices must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service.

The Public Representative has reviewed the instant contract, the Statement of Supporting Justification, and the financial data and model filed under seal that accompanies the Postal Service's Request. Based upon that review, the Public Representative concludes that it appears that the instant contract, as amended, should continue to generate sufficient revenues in the first year of the contract to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

The contract is expected to remain in effect for a period of three years. The Postal Service provides no data to demonstrate that the contract will comply with the requirements of 39 U.S.C. § 3633 (a) during the second and third years of the contract. This concern is largely mitigated by the fact that the terms of the contract provide a formula for an annual adjustment in the negotiated rates that should permit revenues to

³ Order Adding Priority Mail Contract 70 to the Competitive Products List, December 3, 2013 (Order No. 1897). See also: Request of the United States Postal Service to Add Priority Mail Contract 70 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, November 19, 2013. (Original Request)

⁴ Notice of the United States Postal Service of Change in Prices Pursuant to Amendment to Priority Mail Contract 70, February 25, 2014. (February 2014 Notice)

⁵ PRC Order No. 2114 at 2.

cover costs during years 2 and 3.⁶ The Commission also has an opportunity to conduct an annual compliance review in its Annual Compliance Determination.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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⁶ Public Representative Comments on Postal Service Request to Add Priority Mail Contract 70 to Competitive Product List, November 29, 2013 Page 3.